GOVERNMENT OF INDIA
PETROLEUM AND NATURAL GAS
LOK SABHA

UNSTARRED QUESTION NO:659
ANSWERED ON:23.02.2006
INCREASE IN PRICES OF KEROSENE AND LPG
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Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:

(a) whether any assessment has been made by the Government in regard to the losses of the companies involved in marketing of Liquefied Petroleum Gas (LPG) and Kerosene;

(b) if so, the total estimated amount of losses during 2005-06, till date;

(c) whether these losses are likely to be made up by increasing the prices of LPG and Kerosene; and

(d) if so, the details thereof ?

Answer

MINISTER OF STATE IN THE MINISTRY OF PETROLEUM AND NATURAL GAS (SHRI DINSHA PATEL)

(a)&(b): Yes, Sir. The Government is constantly monitoring the under-recoveries suffered by the oil marketing companies in marketing PDS kerosene and domestic LPG. The profitability of the oil marketing companies has been adversely affected due to non revision of prices of sensitive petroleum products in line with international prices. As against profit after tax of Rs.5222.84 crore recorded during April - December 2004, the oil marketing companies registered a combined loss of Rs.2897.55 crore, during the corresponding period this year.

(c)&(d) In order to formulate a long term pricing policy, Government had constituted an Inter-Ministerial Committee under the Chairmanship of Dr. C Rangarajan, Chairman Economic Advisory Council to the Prime Minister to examine different aspects of pricing and taxation of petroleum products. The Committee submitted its report on 17.2.2006. With regard to pricing of domestic LPG and PDS kerosene, the Committee has suggested as follows :-

(i) Restrict subsidized kerosene to BPL families only;

(ii) Raise the price of domestic LPG by Rs. 75/cylinder;

(iii) Discontinue the practice of asking upstream companies to provide upstream assistance, but instead collect their contribution by raising the OIDB cess from the present level of Rs. 1,800/MT to Rs. 4,800/MT; and

(iv) Government to meet the balance cost of subsidy from the budget.

The report is under examination by Government.